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Trends Show U. S., Red Output Equality by 1980, Official Says

SAN FRANCISCO — (AP) — A top Treasury official said Friday the Soviet Union will pull abreast of the United States in economic output by 1980 if present growth patterns continue.

Undersecretary Henry H. Fowler, the No. 2 man at the Treasury, said if the trend continues the USSR will achieve superiority "in many lines of heavy industry well in advance of that date."

In an address prepared for a conference sponsored by the Stanford Research Institute, Fowler said the United States must undertake three programs if it is to speed its growth rate and keep well ahead of its Communist rival.

He said the programs would aim at making better use of present U.S. resources; encouraging greater individual effort in plant, office and school, and the allocation of a larger share of the national wealth to investment in "an expanding technology and enlarged rates of capital formation."

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FOWLER INDICATED that the major tax reform program which President Kennedy will send to Congress later this year, for action in 1963, will be designed to encourage technological advances and the growth of investment capital.

Quoting estimates prepared by the Central Intelligence Agency, Fowler said the U.S. economy increased by an average of 3¼ per cent a year during the 1950s while the average growth rate in the Soviet Union was 7 per cent.

In the same period, he said, industrial production expanded at an average of 4 per cent in the United States and 10 per cent in Russia.

"A continuation of existing patterns would bring the two close together in absolute terms by 1980," he said, "with the USSR surpassing the U.S. in many lines of heavy industry well in advance of that date."

Fowler was not specific in discussing major tax reforms but said the proposals will deal with "the question of the utilization of new tax incentives for expanding research as compared with other approaches."

He also indicated that the Administration plans to go beyond depreciation reform and the possible reduction of high bracket tax rates in its proposals to encourage the growth of investment capital.

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"THERE ARE SOME who express doubts as to whether these (depreciation and rate cut) measures will increase investment anywhere near enough to produce a substantially accelerated rate of economic growth," he said.

Fowler pictured the forthcoming tax reform programs as a key that would "unlock the door to an increased rate of economic growth of the scale and character required by the national interest."